

TOP SECRET

23 June 1951

[Redacted]

Copy No. *CL*

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CURRENT INTELLIGENCE AGENCY

DOCUMENT NO. *4063*
NO CHANGE IN CLASS. *X*
DECLASSIFIED
CLASS. CHANGED TO: TS S *2009*
NEXT REVIEW DATE:
AUTH: HR 70-2
DATE: *12-15-14* REVIEWER: [Redacted]

[Redacted]

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Office of Current Intelligence

USAID, DOS, DIA reviews completed

CENTRAL INTELLIGENCE AGENCY

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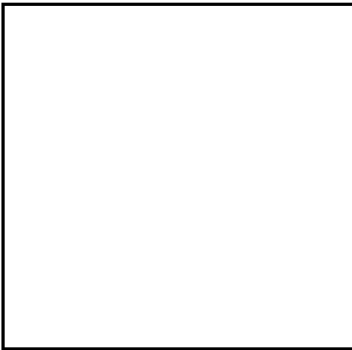
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GENERAL

1. Malik intends to receive World Peace Council delegation:

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Following a request from President Joliot-Curie of the World Peace Council, Soviet UN delegate Malik, in his capacity as President of the UN Security Council for the month of June, has agreed to receive a World Peace Council delegation in New York. The US delegation to the UN believes that this and other developments may indicate a Soviet intention to use the occasion of the first anniversary of the Korean invasion as a sounding board for the

"peace campaign." Among other possible steps, Malik may call a Security Council meeting on 25 June for that purpose.

Comment: The delegation mentioned above is presumably the group which the World Peace Council previously sought to dispatch to Secretary General Lie with demands for a revision of UN policies, particularly with respect to Korea. Lie has refused to see the delegation in New York, although at one time he offered to meet it in Europe -- an offer which was declined by the WPC. Malik's reception of the delegation could be prevented by a US State Department refusal to grant entrance visas.

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FAR EAST

3. Philippine Foreign Secretary Romulo adamant on reparations:

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Foreign Secretary Romulo has informed the US Minister in Manila that his government is not satisfied with the new US compromise formula on Japanese reparations and that it will not re-

cede from the position that Japan must pay reparations. He added that failure to establish Japanese liability would be regarded in the Philippines as evidence of the government's lack of an independent foreign policy. He further stated that the Philippines did not want to be forced "to walk out of the peace negotiations."

Comment: Any recession from the position universally held in the Philippines, i. e., that Japan both should and can pay reparations, will expose the Philippine Government to severe political attack. Romulo's suggestion that the Philippines might withdraw from the treaty negotiations, however, should not be taken seriously.

NEAR EAST

4. British Government discloses policy in Iranian situation:

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Permanent Under Secretary Strang of the UK Foreign Office has told the US Embassy in London that measures are being taken to evacuate Anglo-Iranian Oil Company personnel from outlying oilfields into the Abadan area. They will be kept there as long as possible in the faint hope that a more realistic attitude will prevail among the Iranians. Strang stated that

in the event the UK finds it necessary to withdraw, British shipping will not move the Iranian oil -- which, the UK estimates, would cut Iranian exports to about 5 percent of capacity.

A British War Office official says that military operations will be ordered only if British lives are endangered, in which case troops would be flown from the Suez Canal Zone to Shaiba field, Iraq, and would proceed overland toward Abadan (about 40 miles) to cover the evacuation of British personnel. These troops would be immediately withdrawn when the evacuation is completed. Alerted fighter squadrons would be used only to cover troop movements; naval units are also on hand to assist if necessary. The number of transport planes based in the Canal Zone will be increased by 15 now being flown out from the UK.

In the event of a Communist coup following the evacuation, the UK might wish to re-examine the situation in consultation with the US; however, the British estimate that there is only a small possibility of a Soviet attempt to take control of the oil industry. According to Under Secretary Strang, although no final decision has yet been taken, the UK might ask the US to support an embargo against Iran, and might further ask the US to stop economic and military assistance to the Iranian Government.

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There is little hope that a "more realistic attitude" will be adopted by Iran towards the AIOC. On 21 June, Prime Minister Mossadeq won a confidence vote from both the Majlis (Lower House) and the Senate, which eliminates any possibility that he might waver at this late date in carrying out "nationalization" of the oil industry. Confronted with this situation, the UK appears to hope that an opportunity to establish a bargaining position in Iran will present itself after the proposed retaliatory measures have been applied and have hastened the deterioration of Iran's economic situation.

5. Iran's requests for oil technicians rejected:

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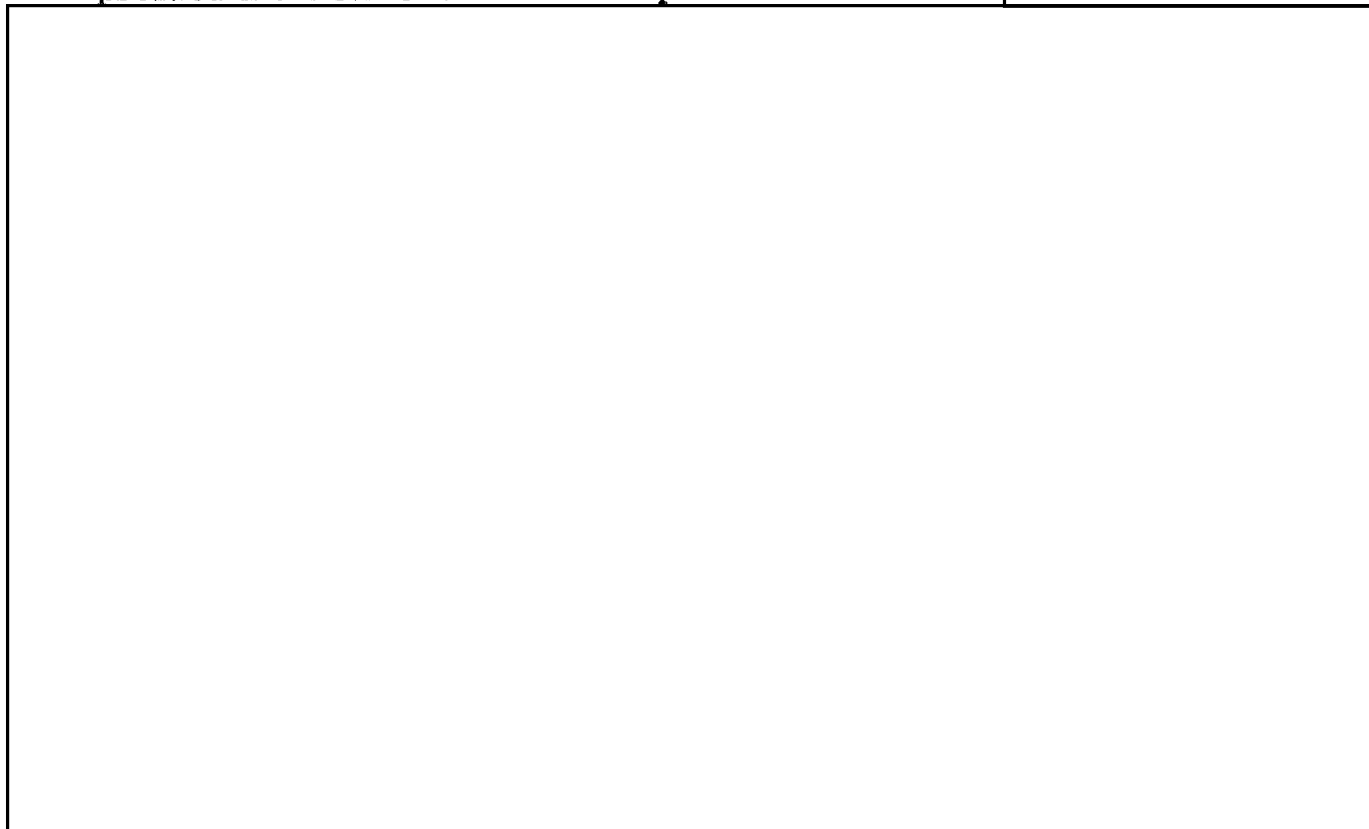
The Italian Ambassador in Tehran has informed US Ambassador Grady that several weeks ago Prime Minister Mossadeq asked if the Italian oil industry could supply Iran with oil technicians.

The Italians refused this request, but agreed to send two representatives of the Italian oil industry to confer with the Iranians on how the Italians carried out oil nationalization.

Comment: Iran has tried to get technicians and advisors from various countries, including France, Switzerland, Sweden, Germany and the US. So far it has obtained no firm commitments from technicians in any foreign country, and it appears that Iran's efforts along these lines may be unavailing. The major US oil companies have tacitly agreed to have no part in the Iranian oil exploitation dispute, with the ever increasing likelihood that Iran will find itself exceedingly hard-pressed if the AIOC withdraws its personnel from Iran.

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EASTERN EUROPE

7. Violation of Czech airspace by US jets alleged to be intentional:

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In a note delivered to the US Embassy on 21 June, the Czechoslovak Foreign Office stated that the recent violations of Czech airspace were clearly not accidental overflights but deliberate incursions. The note reiterated previous charges that violations of Czech airspace by US planes are continually increasing, listing 116 violations since 15 January, and added that in the most recent case the planes were "heavily armed military jets in a state of readiness to fire." For these reasons, the Czechoslovak authorities could not rely on US assurances that the two planes were on a training mission, but must await the results of a very careful examination. The note concluded that the Czechoslovak Government views the recent violation of its aerial border as particularly serious and will deal with the case in accordance with the principles of international law.

WESTERN EUROPE

8. Spain requests wheat loan from Italy:

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The Italian Government has informed the ECA mission in Rome that it is willing to grant an urgent Spanish request for a loan of 20,000 tons of wheat, provided either a US or British agency guarantees the loan. The Italians refuse to accept the guarantee of Spanish banks because they feel that economic conditions in Spain make doubtful the repayment of the loan.

Comment: It is believed that with the harvesting of the Spanish wheat crop, and with further foreign purchases, Spanish wheat supplies will be more than adequate to meet minimum consumption needs. The efforts of the Spanish Government to obtain Italian wheat may be caused by temporary shortages in local stocks. It is evident that the Spanish regime is apprehensive over the disaffection of the populace and fears even temporary reduction of the bread ration.

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